

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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TO SECSTATE WASHDC 7761

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 01416

E.O. 11651: XGDS

TAGS: EEC, UK

SUBJECT: EC RENEGOTIATION - THE BUDGET ISSUE

REF: EC BRUSSELS 722

1. DAVID COLVIN, THE WORKING-LEVEL OFFICIAL WHO HANDLES THE EC BUDGET ISSUE AT THE FCO, IS CONFIDENT THAT A COMPROMISE CAN BE WORKED OUT WITH THE FRENCH ON THIS ISSUE BEFORE THE UK'S EASTER DEADLINE FOR EC RENEGOTIATION. COLVIN EXPECTS THAT THE FINAL AGREEMENT ON THE BUDGET WILL BE REACHED AT THE MARCH 10-11 HEADS OF GOVERNMENT MEETING IN DUBLIN.

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2. COLVIN SAID THAT THE UK FAVORS THE FOLLOWING "CORRECTIVE MECHANISM" FOR THE BUDGET SYSTEM: A MEMBER STATE WITH BELOW AVERAGE PER CAPITA GDP WOULD BE ELIGIBLE FOR REIMBURSEMENT FROM THE EC BUDGET. THE AMOUNT OF REIMBURSEMENT WOULD REFLECT THE EXTENT TO WHICH THE MEMBER STATE'S SHARE OF TOTAL EC BUDGET CONTRIBUTIONS EXCEEDS ITS SHARE OF TOTAL COMMUNITY GDP.

3. THE BRITISH CALCULATE THAT THE UK WOULD BE THE ONLY MEMBER STATE THAT WOULD RECEIVE REIMBURSEMENTS UNDER THIS SCHEME, SINCE IT IS THE ONLY ONE WITH BOTH A BELOW AVERAGE PER CAPITA GDP AND A BUDGET CONTRIBUTION THAT EXCEEDS ITS SHARE OF TOTAL COMMUNITY GDP.

4. THE FRENCH, COLVIN SAYS, ARE INSISTING THAT ANY CALCULATION OF MEMBER STATE BUDGET CONTRIBUTIONS SHOULD ONLY APPLY TO THE VAT ELEMENT OF THE COMMUNITY'S "OWN RESOURCES," AND THAT CUSTOMS RECEIPTS AND LEVIES SHOULD NOT BE INCLUDED.

5. THE BRITISH MAINTAIN THAT ALL THREE ELEMENTS SHOULD BE INCLUDED. ACCORDING TO COLVIN, THEY MIGHT BE PREPARED TO AGREE THAT THE FUNDS USED FOR REIMBURSEMENT SHOULD ONLY COME FROM THE VAT ELEMENT--WHICH, BY 1980, COULD ACCOUNT FOR AS MUCH AS FORTY PER CENT OF THE MEMBER STATE CONTRIBUTIONS. A COMPROMISE ALONG THESE LINES MIGHT SATISFY THE FRENCH INTEREST IN TREATING CUSTOMS DUTIES AND LEVIES STRICTLY AS COMMUNITY REVENUE.

6. IN ANY EVENT, COLVIN SAID, THE MAIN THING THE BRITISH WANT IS FOR THE COMMISSION AND THE COUNCIL TO COME UP WITH A SATISFACTORY CORRECTIVE MECHANISM BEFORE THE END OF MARCH. THE BRITISH ARE PREPARED TO BE FLEXIBLE ABOUT THE EXACT FORM OF THIS MECHANISM.

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